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More Does Not Always Mean Better: Do More Comprehensive Ethics Management Programmes Result in Better Outcomes?

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Abstract

Much research has gone into establishing the nature of ethics initiatives adopted by organisations in an attempt to enhance ethical behaviour. Less attention, however, has been given to the actual efficacy and impact of such initiatives. We address this gap directly, utilising cluster analysis to investigate the

combined effects of various ethics initiatives on levels of observed unethical behaviour and the propensity to report such behaviour. Significant differences were found to exist between clusters with respect to level and type of observed unethical conduct, and whether or not this behaviour was reported. Contrary to expectations, the findings reveal that the strength of an organisation's ethics management programme does not ensure lower rates of observed unethical behaviour. It is argued that the quality, rather than the quantity, of ethics initiatives determines the overall impact of ethics management programmes. Particular emphasis is placed on highlighting the role of ethics training, over and above other initiatives such as ethical codes, ethics support and rewarding ethical behaviour.

Keywords: *Ethical codes, Ethics management programmes, Ethics training, King Code of Governance Principles, South Africa*

Introduction

Establishing and maintaining a strong ethical culture in the workplace encourages collective commitment to the organisation and creates an environment where employees support one another in the ethical pursuit of organisational goals (Chun, Shin, Choi & Kim, 2013). In contrast, an organisational environment characterised by unethical behaviour has significant deleterious consequences for such organisations, as evidenced by recent examples of ethical failure by South African organisations such as Clover South Africa, South African Airways (SAA) (Schoeman, 2007; South African Lawyer, 2017), Allied Bank of South Africa (ABSA), Fidentia Asset Management (Hogg, 2014), Saambou Bank (IOL, 2008), Leisurenet, Tiger Brands, Premier Foods, Foodcorp, Pioneer Foods (Stokes, 2007); the MTN Group (Fin24tech, 2015; Roberts-Lombard, Mpinganjira, Wood & Svensson, 2016); the Passenger Rail Agency of South Africa (PRASA) (Business Report, 2015) and DSTV (Competition Commission SA, 2017). These organisations have been found guilty of unethical behaviour, which included allegations of price fixing, insider trading, bribery, fraud and maladministration (Tai, 2015; Lloyd, Mey & Ramalingum, 2014; Rossouw & Van Vuuren, 2013). In their Corruption Perception Index, Transparency International (2016) ranked South Africa as the 8th least corrupt country (out of 46) in the sub-Saharan African region (64th out of 176 worldwide) in terms of perceived levels of public sector corruption. Despite this, however, bribery, corruption and fraud are still considered to be a significant problem in South Africa (Van

Schalkwyk, 2017), thereby placing a greater responsibility on organisations to guard against unethical conduct and encourage the effective management of ethics in the workplace (Schoeman, 2015).

Within the South African context, a more fervent focus on ethical conduct in organisations is necessitated by stringent legal requirements and corporate governance guidelines. The three King Codes on Corporate Governance (King Committee on Corporate Governance, 1994, 2002, 2009) strongly influence corporate governance in the South African private and public sectors. Principle 1.3 of the *King Code of Governance Principles for South Africa* (which, together with the *King Report on Governance for South Africa*, is commonly known as King III) requires organisational boards to ensure that their organisations are managed in an ethical manner, and in fact provides specific guidelines in this regard. These guidelines include a number of recommended practices such as building and sustaining an ethical corporate culture; developing and clearly articulating ethical standards; ensuring that the company takes measures to achieve adherence to these standards, and measures such adherence; incorporating ethical risks and opportunities in the risk management process; implementing a code of conduct and ethics-related policies; integrating compliance with this code of conduct into its operations; and assessing, monitoring and disclosing its ethics performance (King Committee on Corporate Governance, 2009). After the release of King III, amendments were made to the Companies Act 71 of 2008 (effected on 1 April 2011), which necessitated amendments to the *King Code of Governance Principles*. In terms of these amendments, certain categories of companies (section 72(4) of the Act) are now required to establish a social and ethics committee tasked with monitoring the company's activities.

Certain companies (depending on their annual turnover, workforce size and the nature and extent of their activities¹) are therefore compelled by law to manage ethics and report on their ethics initiatives. As a result, much scholarly research has focused on finding ways to encourage more ethical approaches to conducting business. For instance, Rossouw and Van Vuuren (2013) have written extensively on business ethics and the

¹ In terms of Section 72(4) of the Companies Act, 71 of 2008, and regulation 43, every State owned company, every listed public company, as well as any other company that has, in any two of the previous five years scored above 500 points, in terms of regulation 26(2), is required to have a social and ethics committee.

values and standards that determine the interaction between an organisation and its stakeholders. Lloyd and May's research (2010) proposes a model to develop an ethical organisation, and also reports on ethical business practices used in South African organisations (Lloyd *et al.*, 2014). The practices used to encourage ethical behaviour in organisations have also been subject to scrutiny. Groenewald (2011) addressed concerns about the codes of ethics and how they are formulated, while Erasmus and Wordsworth (2004, 2006) reported on the practices (written standards of ethical business conduct; ethics training; and support for reporting suspected unethical conduct or receiving advice on ethical issues) that organisations should have in place to guide ethical decision making and manage ethical issues.

To date, the main focus of ethics-related research in South Africa has been on the identification and extent of implementation of appropriate practices to enhance ethical behaviour in organisations. Encouragingly, recent research suggests that there is greater awareness of ethical requirements in South African organisations, and a high level of implementation of ethics initiatives to ensure compliance with these requirements (Groenewald & Geerts, 2013; Weber & Wasieleski, 2013). There is, however, a paucity of research relating to the efficacy of such initiatives. We address this gap by examining the relationship between the implementation of ethics initiatives and the level of observed unethical behaviour, as well as the extent to which such observations are reported and acted upon. In doing so we aim to determine whether more comprehensive ethics management programmes are associated with lower levels of unethical behaviour.

Ethics in the workplace

The term 'ethics' derives from the Greek 'ethos' or 'ethikos' (spirit or character) and is defined as the principles, morals, values and standards of conduct which govern an individual or group (Treviño & Nelson, 2014:18). Rossouw and Van Vuuren (2013) view ethics as pertaining to good and evil, right and wrong, and what individuals ought and ought not to do in a given context. Ethics therefore refers to the moral choices that a person makes and is manifested in individual conduct or behaviour (DuBrin, 2014). Business ethics, on the other hand, is concerned with the ethics of organisations and of the individuals and groups in an organisation. Rossouw and Van Vuuren (2013) define business ethics as

the values and standards that determine the interaction between organisations and their stakeholders. Ethical behaviour implies adherence to these values and standards. On the other hand, unethical behaviour is behaviour which is either illegal, causes direct harm to others, or violates widely accepted moral norms in society and is therefore deemed unacceptable to broader society (Moore, Detert, Treviño, Baker & Mayer, 2012; Zuber & Kaptein, 2015). Such behaviours include, for example, cheating on expense accounts, paying or accepting bribes and kickbacks, forging signatures, lying about or taking advantage of sick leave, abusing email or the internet, misreporting actual time or hours worked, engaging in abusive behaviour or behaviour that creates a hostile work environment, lying to employees or colleagues and discrimination (ERC, 2014; SHRM, 2008). In South Africa, the types of unethical conduct most commonly observed include abusive/intimidating behaviour towards employees, claiming credit for someone else's work, taking longer than necessary to do a job, passing the blame for errors to innocent colleagues and lying to colleagues (Groenewald & Geerts, 2013).

Preventing unethical behaviour in the workplace is of significant managerial concern. Not only does unethical behaviour violate the moral values and standards of the organisation, but it also threatens the reputation, financial performance and continuity of the organisation (Eisenbeiss, Van Knippenberg, & Fahrbach, 2015; Kaptein, 2011; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; O'Connell & Bligh, 2009). In order to understand and prevent unethical behaviour in the workplace, it is essential to take cognisance of contextual, organisational and individual drivers of such behaviour. Contextual drivers include, for example, the competitiveness of the business environment (Kulik, O'Fallon & Salimath, 2008) and religiosity or national culture (Rashid & Ibrahim, 2008; Holmquist, 2013), while intra-organisational factors that have been reported as antecedents of unethical behaviour include a lack of ethical leadership (Lloyd *et al.*, 2014; Mayer, Nurmohamed, Treviño, Shapiro & Schminke, 2013), organisational culture (Ardichvili, Jondle & Kowske, 2010; Clarke, 2011), ethical climate (Bartels, Harrick, Martell & Strickland, 1998) and the absence of or disregard for a code of ethical conduct (Kish-Gephart, Harrison & Treviño, 2010). Individual-level factors such as morality (Klikauer, 2012) or moral ideology (Ruiz-Palomino & Martinez-Cañas, 2011) an individual's propensity for moral disengagement (Moore *et al.*, 2012) and, to a limited extent, demographic

characteristics such as age, gender, education level and marital status (Yücel & Çiftci, 2012; Kish-Gephart *et al.*, 2010) may also impact on an individual's propensity to engage in unethical behaviour.

Notwithstanding the importance of the above-mentioned individual and extra-organisational determinants of ethical behaviour, in this paper emphasis is placed on organisational-level initiatives to foster ethical behaviour. These initiatives are discussed more fully below.

Ethics initiatives

To reduce unethical behaviour, organisations need to communicate ethical standards effectively to employees, ensure that they understand what these standards entail and provide means by which employees at all levels can ensure that these standards are met. Various ethics initiatives may be implemented to encourage ethical behaviour and integrate ethics into the organisation's culture. Most commonly, such initiatives include ethical codes of conduct, the appointment of an ethics officer or ombudsman, ethics training, rewarding and disciplining employees, and the example set by top management (Lloyd & Mey, 2010; Nel, Nel & Du Plessis, 2011). Ethical organisations generally have clearly communicated codes of ethics and incentive systems that are tied to ethical behaviour (Ardichvili *et al.*, 2010). Furthermore, senior managers are assigned to assist employees to integrate ethics into their everyday operations, and serve as role models for ethical conduct (Nicolaidis, 2009).

Ethical codes and standards

A code of ethics is a formal document that lays down the fundamental principles, rules of conduct and moral standards for ethically acceptable behaviour in, and by, an organisation; thereby governing relationships with both internal and external stakeholders (Bodolica & Spraggon, 2015; Rossouw & Van Vuuren, 2013). Codes of ethics are the most frequently cited instrument for preventing unethical behaviour in an organisation (Kaptein, 2011; Weber & Wasieleski, 2013). Reported drivers for adopting codes of ethics are the need for universally acceptable principles in a globalised world; widespread inclusion of codes of ethics in corporate governance initiatives (for example, as required by King III); and improved understanding of ethical issues by corporate leadership (Bodolica & Spraggon, 2015). Codes of ethics are also often

implemented with the aim of conveying the organisation's commitment to the adherence of moral standards, in order to project a positive image of a socially responsible organisation, which may ultimately result in tangible benefits (Bodolica & Spraggon, 2015). Creating an organisational context that promotes ethical conduct is further dependent on having policies and procedures in place to institutionalise the behaviour and standards set out in codes of ethics (Lloyd *et al.*, 2014).

The efficacy of codes of ethics in terms of increasing ethical behaviour and reducing unethical behaviour has been explored in numerous studies. Stevens (2008) demonstrated that a code of ethics can be an effective instrument for shaping and encouraging ethical behaviour and guiding employee decision-making. Kaptein (2011) concluded that the mere existence of a code of ethics is negatively related to the prevalence of unethical behaviour in the organisation. Mazar, Omir and Ariely (2008) found that simply raising awareness about the existence of a code can lead to less unethical behaviour. Furthermore, Lloyd and Mey (2010) argue that a well-developed code of ethics can assist the organisation in fostering an ethical environment, discouraging unethical behaviour and coping with ethical problems and dilemmas. A code of ethics is therefore a means to promote an ethical culture in the organisation, by making all stakeholders aware of the principles, rules of conduct and moral standards for ethically acceptable behaviour in and by the organisation and, if managed correctly, such a code may play an essential role in discouraging unethical behaviour.

Ethics training

Ethics training is necessary to integrate ethical decision-making into the organisation's culture and to reinforce ethical choices and accountability (Lloyd & Mey, 2010; Treviño & Nelson, 2014). The purpose of ethics training is therefore to create awareness and a sense of business ethics, as well as to develop skills for ethical analysis and moral reasoning (Mafunisa, 2008). Ethics training educates employees in the application of business ethics to resolve ethical dilemmas and address the effects of unethical behaviour (Djurkovic & Maric, 2010; Jones, 2009). Lloyd and Mey (2010) stress, however, that the success of ethics training is dependent on the type of training, timing and methodology that is used. Supporting this assertion, Valentine and Fleischman (2008) demonstrated that the efficacy of ethics training is enhanced when combined with a

clearly communicated code of ethics. Moreover, their study found that investments in the moral development of individual managers strengthened the institutionalisation of an ethical culture.

Ethics support (office, ombudsman or hotline)

Nel, *et al.* (2011) emphasised the importance of having support structures in place to encourage ethical behaviour and discourage unethical behaviour. Such structures may include a specific office, anonymous phone number, e-mail address or website for advice about workplace ethics issues; a means for an employee to report, confidentially or anonymously, violations of ethics standards; evaluation of ethical conduct as part of regular performance appraisals and discipline for employees who violate ethics standards.

An ethics officer or ombudsman has also been demonstrated to play a role in the creation and driving of an ethical culture within an organisation (Lloyd & Mey, 2010; Mafunisa, 2008). The main responsibility of the ethics officer is to instil ethical behaviour in the organisation (Mafunisa, 2008). The ethics officer must furthermore ensure that the organisation has a strong code of ethics that is applicable to all employees; coordinate the training of ethical standards and drive the communication effort with regard to reinforcing the organisation's standards of behaviour; provide guidelines on the implementation of a code of conduct; advise employees regarding ethical dilemmas; satisfy internal and external stakeholders; oversee corporate ethics; and guide the company on how to avoid ethical pitfalls (Lloyd *et al.*, 2014; Mafunisa, 2008; Segon, 2010).

Rewarding ethical behaviour

An organisation's reward system is an important behavioural stimulus to promote and reinforce ethical behaviour (Kaptein, 2015; Nel *et al.*, 2011; Randall, 2012; Stevens, 2008). It is, however, not easy to reward ethical behaviour, because ethical conduct is expected and some employees believe that ethical behaviour is its own intrinsic reward (McCarthy, Fiolet & Dolfmsa, 2011). Rewards for ethical conduct are therefore best presented in the form of long-term rewards, such as promotions or intrinsic rewards (such as recognition), rather than monetary rewards (such as bonuses). According to McCarthy *et al.* (2011), rewards should

not diminish the status of ethical behaviour in the mind of the individual who acts ethically, but allow individuals with integrity to get ahead in the organisation. Rewards should therefore be integrated into the performance and compensation system (Lloyd & May, 2010). Previous findings suggest that employees' perceptions that ethical behaviour is rewarded are more important than perceptions that unethical behaviour is punished (McCarthy *et al.*, 2011). An ethical culture should thus include a reward system that is aimed at supporting ethical conduct, rather than punishing unethical behaviour.

In summary, four organisational initiatives to enhance ethical conduct in organisations appear to dominate the literature. These initiatives include implementing codes of ethics, offering ethics training, availing ethics support (the ethics officer, ombudsman or hotline) and rewarding ethical behaviour. To date, most studies that have sought to examine the efficacy of these initiatives have tended to focus on the impact of single initiatives, and have not considered the combined impact of multiple initiatives, apart from a few exemplary studies, such as that of Valentine and Fleischman (2008). Furthermore, most studies only examine the impact of ethics initiatives on the level of observed unethical behaviour and tend to ignore whether such behaviour is reported, acted upon and resolved. This study seeks to address these two gaps in the literature by reporting on (1) the nature and frequency of the use of ethics initiatives in South African organisations, as observed by HR professionals; and (2) their association with observed levels of unethical conduct and whether or not unethical behaviour is reported and acted upon. In addition, we utilise cluster analysis to explore whether the comprehensiveness of ethics management programmes, as reflected in various combinations of ethics initiatives, has an influence on the reported level of observed unethical behaviour and the propensity to report unethical behaviour.

Research design

Sample and procedures

This study was conducted at an individual level of analysis. Data were collected via a survey distributed electronically to all 2,962 registered members of the South African Board for People Practices (SABPP). As members of the SABPP, these respondents are all employed in various

capacities in the human resource profession and required, in terms of their professional registration, to promote ethical values and practices in the workplace. Of the questionnaires, which were distributed electronically, 250 fully completed and usable questionnaires were returned (8.4% response rate). Respondents represented a variety of industries, with a large proportion from education and training (17.6%), manufacturing (10.8%), mining (9.2%) and financial and insurance services (7.2%). Most respondents (27.2%) were from organisations employing 1,001 to 5,000 employees, while a further 23.6 per cent were employed in organisations with more than 5,000 employees. Respondents were employed in various capacities in organisations, most notably as HR managers (23.2%), General Manager Human Resources (10.8%) and Learning and Development managers (8.8%). They were highly qualified, with 24.3 per cent holding bachelor's degrees or advanced certificates, 38.8 per cent holding postgraduate diplomas or professional qualifications and 23 per cent holding master's and doctoral degrees. Most of the respondents were registered with the SABPP as HR Professionals (38.8%), Chartered HR Professionals (32.4%) or Master HR Professionals (11.6%).

Data collection and measures

An online survey had previously been developed for a study in the United States, which examined the role of HR professionals in organisational ethics, as well as the types of standards and practices that organisations have in place, and the behaviours of top management, supervisors and non-managerial employees that shape ethical culture (SHRM, 2008). Permission was obtained to adapt the survey to fit the purpose and unique South African context (e.g. reflecting South African legislation and SABPP-related information) of the present study. A pilot study was conducted amongst HR professionals and academics who were deemed to be experts in the field, with the aim of evaluating question coverage and appropriateness, and ensuring that the questions were clear and understandable for the intended sample. A second phase of the pilot study involved cognitive interviewing (Beatty & Willis, 2007), in order to determine whether respondents understood each question and item correctly. This resulted in some amendments to the instrument, such as inserting examples of unethical conduct that would be relevant in a South African context.

Invitations to participate were distributed via email by the SABPP on behalf of the researchers. This ensured the anonymity of participants as the researchers did not have access to any personal data or identifying participant information. The survey included measures relating to basic demographic information; the presence or absence of specific ethics initiatives within the organisations where the HR professionals were employed; the perceived levels of observed unethical behaviour in these organisations; and the likelihood of respondents reporting such behaviour. Examples of specific types of unethical conduct in the workplace included in the survey were abuse or misuse of confidential information, breaching employee privacy, disregard for company policies and procedures, receiving kickbacks or bribes, harassment, bullying, subjective or unfair reward decisions and falsification of reports. The SABPP regards ethics as a critical element of HR management and it is therefore expected of all HR professionals registered with the SABPP to be familiar with ethical standards, practices and behaviour in the workplace. It could therefore be expected from these respondents, as registered SABPP members, to be able to recognise unethical conduct in the workplace, thereby contributing to the validity of the data.

Findings

Data were analysed using IBM SPSS, version 23.0 (IBM Corp., 2015). Descriptive statistics, namely frequencies, means and standard deviations, are used to provide a summary of the characteristics of the respondents who participated in the study and to understand the organisational contexts in which the respondents operate, as well as to report their awareness of the existence of ethics initiatives and the extent of observed unethical conduct in the sampled organisations. Two-step cluster analysis was used to profile the organisations in which the respondents were employed into a smaller number of homogenous groups based on the presence or absence of ethics initiatives (Hair, Black, Babin & Anderson, 2010). Cluster analysis identifies naturally occurring groupings in data with high internal homogeneity and high external heterogeneity (Hair *et al.*, 2010). Two-step clustering identifies the groupings by running pre-clustering first and then by using hierarchical methods. Two-step cluster analysis also mechanically selects the number of clusters. Cross tabulation and associated Pearson Chi-square tests were used to determine the relationship between the prevalence of observed unethical conduct and

the propensity to report unethical conduct within each of these identified profiles. Finally, the Kruskal–Wallis test was used to determine whether statistically significant differences existed between the identified profiles with regard to specific types of observed unethical conduct.

Awareness of ethics initiatives

Participants were requested to indicate whether their organisation had particular mechanisms in place to guide their ethical decision making and the management of ethical issues. This included (1) written standards of ethical business conduct (for example, a code of ethics, policy statement on ethics, or guidelines on proper ethical conduct); (2) ethics training; (3) support in the form of an ethics office, ethics ombudsman or ethics hotline to whom employees can report suspected unethical conduct or receive advice about ethical issues; and (4) mechanisms to reward ethical behaviour. The results are presented in Table 1.

Table 1

Awareness of the existence of ethics initiatives in organisations

Ethics initiatives	HR professionals aware of existence of initiative	HR professionals not aware of existence of initiative
Written standards of ethical business conduct	220 (88.0%)	30 (12.0%)
Training in standards of ethical business conduct	157 (62.8%)	93 (37.2%)
An ethics office, ethics ombudsman or ethics hotline	168 (67.2%)	82 (32.8%)
Mechanisms to reward ethical behaviour	55 (22.0%)	195 (78.0%)

***N = 250**

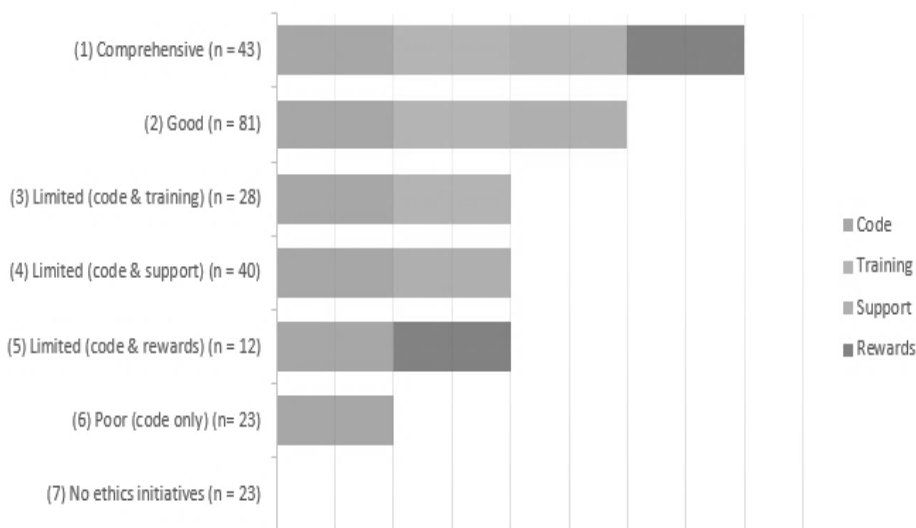
Profiles of ethics initiatives

To identify distinct profiles of ethics initiatives, cluster analysis was performed using the four ethics initiatives outlined in Table 1. Seven clusters were formed, with each cluster containing a specific combination

of ethics initiatives. These are depicted in Figure 1. The overall cluster quality was good (measure of cohesion and separation = 0.9). All four elements (ethics initiatives) were of high importance in forming the clusters, ranging from 1 for offering rewards to .77 for having a code of conduct in place.

Figure 1

Cluster analysis results: Profiles of ethics initiatives



The seven clusters that emerged are described as follows: Cluster 1 reflects instances where organisations have a *comprehensive ethics management* programme in place, comprising all four ethics initiatives (n = 43). Cluster 2 was labelled *good ethics management* programmes, where organisations have a code of ethics as well as relevant training and support (n = 81). The high number of respondents grouped into this cluster reflects the limited use of rewards in South African organisations to encourage ethical behaviour. Clusters 3, 4 and 5 were labelled *limited ethics management* and reflect instances where only two of the four ethics initiatives were present in the respondent's organisation. In each of these three clusters, a code of ethics forms part of the ethics management programme, but is supported by a single initiative only, either in the form

of training (cluster 3, $n = 28$), ethics support (cluster 4 = 40) or rewards (cluster 5 = 12). Cluster 6 is labelled *poor ethics management* and reflects instances where the organisation relies solely on a code of ethics, but does not reinforce its implementation in any way ($n = 23$). Cluster 7 represents instances where HR professionals are not aware of the presence of any of the four ethics initiatives in their organisations ($n = 23$).

Observations and reporting of unethical behaviour

Respondents were requested to indicate whether, in the year preceding the study, they had personally observed behaviour which they deemed to be unethical (either in terms of violating the law or their organisation's code of ethics or ethical standards). 140 participants (56%) indicated that they had observed unethical conduct in their organisations. Respondents were also asked to indicate the regularity with which they observed various unethical behaviours (recorded on a 10-point scale, with 0 indicating that the particular unethical behaviour was not observed at all and 10 indicating that it was observed frequently). Commonly observed unethical behaviours included deliberate deception in the workplace, such as taking credit for work done by someone else, misusing sick leave, or sabotaging the work of another person ($M = 5.42$, $SD = 3.33$); disregard for company policies and procedures ($M = 4.69$, $SD = 3.08$); and discriminating against employees or potential employees based on race, gender, religious belief or sexual orientation ($M = 3.71$, $SD = 3.70$).

Respondents who confirmed that they observed unethical conduct in their organisations were also required to indicate whether this was reported to their manager or other appropriate person in their organisations. Only 86 (61.4%) of the 140 respondents who observed unethical conduct reported it, which suggests that a significant proportion of unethical conduct went unreported, despite efforts by organisations to make employees aware of such conduct and encourage them to report it by providing support in the form of an ethics office, ethics ombudsman, or ethics hotline. Respondents who did not report observed unethical conduct indicated that they did not believe that corrective action would be taken (35.2%), or feared retribution or retaliation from their supervisors or management for reporting unethical conduct (22.2%). These findings correspond with the results from similar research undertaken by the Ethics Resource Centre, which found that

workers who do not report observed unethical conduct indicated that they feared retaliation from senior leadership or co-workers, which was their main reason for not reporting it (ERC, 2014).

Cross tabulation and the chi-square tests were used to determine whether the observation of unethical conduct varied across the seven ethics management clusters. The results of this analysis are presented in Table 2. Chi-square tests for independence indicated statistically significant differences (at the .10 level of significance) across the seven clusters in terms of observed unethical conduct, $\chi^2(6, n = 250) = 11.334$, $p = .079$.

A Kruskal-Wallis Test was subsequently conducted to determine whether specific types of unethical conduct observed by respondents varied as a function of the combinations of ethics initiatives (i.e. the 7 clusters identified). The results of this analysis indicate statistically significant ($p < 0.05$) differences across the different clusters in terms of the following types of observed unethical conduct: employees receiving kickbacks or bribes ($\chi^2(6, n = 140) = 13.429$, $p = .037$); falsifying or manipulating financial reporting information ($\chi^2(6, n = 140) = 18.596$, $p = .005$); wasting, mismanaging or misusing the organisation's assets or resources ($\chi^2(6, n = 140) = 14.158$, $p = .028$); and falsification of Employment Equity reports and/or workplace skills plans ($\chi^2(6, n = 140) = 13.087$, $p = .042$). A statistically significant difference across clusters was also found at the .10 level of significance for improperly obtaining a competitor's propriety information ($\chi^2(6, n = 140) = 11.279$, $p = .080$).

Of the 140 respondents who observed unethical behaviour, 86 (61.4%) reported it to the appropriate people or department in their organisation. The Chi-square test for independence indicates a statistically significant association between the seven clusters and the reporting of observed unethical conduct, $\chi^2(6, n = 140) = 15.858$, $p = .015$, indicating differing patterns of reporting between the clusters.

Table 2*Summary of results*

Cluster number	1 (n = 43)	2 (n = 81)	3 (n = 28)	4 (n = 40)	5 (n = 12)	6 (n = 23)	7 (n = 23)	P
Observed unethical behaviour	24 (55.8%)	39 (48.1%)	12 (42.9%)	30 (75%)	8 (66.7%)	12 (52.2%)	15 (65.2%)	.079**
Did not observe unethical conduct	19 (44.2%)	42 (51.9%)	16 (57.1%)	10 (25%)	4 (33.3%)	11 (47.8%)	8 (34.8%)	
Reported unethical behaviour	18 (75%)	24 (61.5%)	10 (83.3%)	18 (60%)	6 (75%)	7 (58.3%)	3 (20%)	.015*
Did not report unethical behaviour	6 (25%)	15 (38.5)	2 (16.7%)	12 (40%)	2 (25%)	5 (41.7%)	12 (80%)	

Table p values from Pearson chi-square test or Kruskal-Wallis test comparing all 7 clusters

** statistically significant ($p < 0.05$)*

*** statistically significant ($p < 0.10$)*

Discussion

A high proportion (88%) of respondents indicated that their organisations have written standards of ethical conduct to guide employee behaviour, but fewer of them have knowledge of training provided to employees on how to apply these standards (62.8%), or mechanisms to deal with ethical issues, such as an ethics office, ethics ombudsman or ethics hotline to whom employees can report suspected unethical conduct, or get advice about ethical matters (67.2%). Our findings correspond with the South African Business Ethics Survey ((Groenewald, 2016) report, which measured employees' awareness of their companies' codes of ethics (96%), ethics training (57%) and the existence of an ethics hotline (79%) or ethics officer or person who is responsible for managing ethical standards (58%). It is encouraging to see a higher incidence of ethical codes than the 78 percent reported by Erasmus and Wordsworth (2006) in a similar study conducted amongst SABPP members a decade ago. It is, however, concerning that these codes are not always supported by other initiatives. Less than two-thirds of respondents indicated that their organisations had ethics training in place, which is significantly less than the 81 percent of US companies that provide ethics training (ERC, 2014).

Lloyd *et al.* (2014) found that 85 per cent of South African organisations have a person who is responsible for ethics and, according to the SACEI (Groenewald & Geerts, 2013), employees' awareness of this initiative had increased significantly from 2009 to 2013. The Ethics Institute (Groenewald, 2016) report, however, that awareness of safe-reporting mechanisms (an ethics hotline, 79%) and ethics officers or persons responsible for ethics management and advising on ethical matters (58%) declined substantially from 2013 (83% and 72% respectively) to 2016. Although the level of awareness of ethical support provided by organisations, as found in this study (67.2%), is closely aligned with the findings of the Ethics Institute (Groenewald, 2016), one would have expected a higher awareness among HR practitioners, who served as the unit of analysis for this study (as opposed to employees in general) as ethics is regarded as a core competency for HR professionals in South Africa (SABPP, 2012). Encouragingly though, the levels of awareness of ethical support is higher than the 45 per cent awareness reported by Erasmus and Wordsworth (2006) for a similar sample. HR practitioners in South African organisations seem to be increasingly aware of the means available to them to report unethical conduct (e.g. formal grievance procedures or an ethics hotline) and to seek advice on ethical matters. There does, however, seem to be a lack of clarity regarding who should take responsibility for coordinating organisations' ethics management efforts, and the effectiveness of such initiatives still remains low (Van Vuuren & Eiselen, 2006; Groenewald & Geerts, 2013).

Rewarding ethical conduct is not common practice in South African organisations. Lloyd *et al.* (2014) found that only 26 per cent of South African organisations, as opposed to 60.6 per cent in New Zealand (Nel *et al.*, 2011) and 64 per cent in the US (SHRM, 2008), offer incentives to employees who demonstrate ethical behaviours. Our findings support those of Lloyd *et al.* (2014), with less than a quarter of the respondents indicating that their organisations have mechanisms in place to reward ethical conduct. These mechanisms include rewards and recognition, which are in some instances accompanied by financial incentives. The tendency of South African organisations to refrain from rewarding ethical behaviour is of concern, and suggests that positive reinforcement is not readily used to encourage ethical behaviour. Offering rewards will enhance employees' accountability, which indirectly reduces unethical behaviour. The analysis of observed unethical conduct across clusters reveals counterintuitive results. We anticipated that unethical conduct

would decrease in relation to the strength of an organisation's ethics management programme, such that as the number of ethics initiatives increases, the level of observed unethical behaviour should decrease. The results presented in Table 2 illustrate, however, that this is not always the case. Cluster 1, *comprehensive ethics management*, had a relatively high level of observed unethical behaviour (55.8% of respondents), which was consistent with the overall sample average. Lower rates of unethical behaviour were observed in Clusters 2, 3 and 6, which had less comprehensive ethics management programmes in place. There are several possible explanations for these anomalous findings. Firstly, it is possible that unethical behaviour goes unrecognised in organisations with less comprehensive ethics management programmes. A lack of training or clear standards may leave an individual unclear as to what constitutes unethical behaviour, and it is therefore not reported as such. Similarly, more comprehensive ethics programmes may better equip employees to recognise and identify, and therefore report, unethical behaviour. A second, more concerning explanation may point to a lack of effectiveness of ethics management programmes, as suggested by Groenewald and Geerts (2013), who report a decrease in the effectiveness of ethics training programmes from 2009 to 2013. Our findings suggest that having ethics initiatives in place does not mean that they are necessarily effective in reducing unethical behaviour. However, we did not specifically assess the nature, design or effectiveness of ethics initiatives in this study. We acknowledge this limitation and suggest that future research might consider assessing the contextual factors that mediate the relationship between the presence of ethics initiatives and their impact on levels of unethical behaviour.

The findings in Table 2 also highlight the importance of ethics training. The lowest levels of observed unethical behaviour were found in organisations that had ethics training programmes in place (49% of respondents observed unethical behaviour), with a sharp increase in organisations that had no training in place (66% of respondents observed unethical behaviour). Furthermore, these clusters also had the highest rates of reporting of unethical behaviour (64% versus 58%). This suggests that ethics training is effective in helping employees recognise unethical behaviour and in encouraging them to report it. In line with our expectations, the lowest level of reporting of unethical behaviour was in Cluster 7. In such organisations, where no ethics initiatives are offered, employees may well recognise unethical behaviour as actions that do not

correspond with generally accepted, or their own internal, moral standards. However, as there are no formal standards of conduct in place and they have not received the necessary training and support, such conduct goes unreported.

These findings do not necessarily suggest that unethical conduct is higher in organisations where more initiatives to encourage ethical behaviour are implemented. Instead, it indicates that people in such organisations are more aware of ethical standards of conduct and know what to do when they observe unethical conduct. In organisations with no or very few ethics initiatives in place, people are less likely to notice or be aware of unethical conduct.

Implications

This study set out to determine whether particular combinations of ethics initiatives influence the observed level and reporting of unethical conduct in organisations. Our findings suggest that having written standards of ethical business conduct in place is essential to raising awareness of unethical conduct and getting managers and employees to take appropriate action. Furthermore, the findings support the view of Kaptein and Schwartz (2008) that the effectiveness of ethical codes is enhanced by complementary initiatives, such as ethics training and support.

Our findings also demonstrate that the propensity of HR professionals to report observed unethical conduct increases with the comprehensiveness of an organisation's ethics management programme, and more specifically with the presence of ethics training initiatives. The importance of ethics training cannot be overstated. Our findings suggest that investments in training may be more beneficial to the organisation than investing in other initiatives, such as ethics support or reward programmes. Managers are therefore encouraged to consider investing in appropriate training programmes, in order to support the implementation of ethical standards and foster an ethical culture.

Our counter-intuitive finding of higher levels of observed unethical behaviour in organisations with the most comprehensive ethics management programmes were attributed in part to the fact that HR professionals in these organisations are more likely to be aware of what constitutes unethical behaviour, and thus report a higher level of observed unethical behaviour. These findings may also suggest, however,

that ‘more is not always better’ and that there may be diminishing returns when it comes to investing in ethics programmes. Careful consideration should thus be given to the types of ethics initiatives in which organisations invest, with a particular emphasis on ethics training.

In summary, our study demonstrates that merely following a compliance approach to ethics management is not sufficient, as ethical cultures can only be cultivated if ethical values and standards are internalised. Ethics initiatives should therefore be supported by all levels of management and integrated into the daily functioning of organisations. Ethics management should also encompass a variety of initiatives aimed at making employees aware of unethical conduct, encouraging them to take appropriate action when observing such conduct and encouraging positive behaviour by rewarding ethical conduct.

Limitations and future research directions

In this study, we reported on the presence or absence of various ethics initiatives. We did not, however, evaluate the quality or standard of the different initiatives. Erwin (2011) suggests that although codes of ethics represent a powerful tool for organisations aiming to transform their organisational culture and enhance ethical behaviour, the quality of codes of ethics (i.e. the comprehensiveness, clarity and scope thereof) may play a crucial role in the effectiveness of these codes and their ability to transform organisational cultures. Although the mere implementation of a code of ethics, irrespective of its quality, may impact on ethical behaviour in an organisation, the positive impact will most probably be short-lived, whereas a high-quality code of conduct is more effective in guiding employee behaviour and establishing a strong ethical culture in an organisation (Erwin, 2011; Bodolica & Spraggon, 2015). Similarly, Lloyd and Mey (2010) emphasise that the success of the training initiative is dependent on the type of training, the timing thereof and the methodology which is required. This study did not attempt to evaluate the content or measure the quality of the training presented, but merely focused on whether ethics-related training was present or not. Future research should therefore be conducted to determine, not only the existence of codes of ethics and ethics-related training programmes in South African organisations, but also the quality of these codes and of the training presented. Studies exploring the quality and effectiveness of

ethics training may lend them themselves to experimental designs, rather than cross-sectional research as in the case of the present study. Additionally, scholars may wish to consider qualitative approaches such as content analysis in assessing the content and comprehensiveness of codes of ethics.

We also acknowledge that the population of our study was restricted to HR professionals registered with the SABPP. The results are therefore not representative of all South African organisations. Furthermore, the response rate is relatively low. Online surveys generally have a lower response rate and the results should therefore be interpreted with caution (Blasius & Brandt, 2010; Baruch & Holton, 2008). Although the results of this study can therefore not be generalised to a broader population, it does provide some insight into the prevalence of ethics initiatives and unethical conduct in South African organisations. The aim of the study was not, however, to obtain a generalised view of ethical conduct in South African organisations, but to explore the use of profiling in determining the contribution of various ethics initiatives to a holistic ethics management programme.

Lastly, while our findings suggest a gradual decline in unethical conduct in South African organisations – 53.9% of respondents indicated that they observed unethical conduct, as opposed to 70.3% in a similar study conducted in 2006 (Erasmus & Wordsworth, 2006) – we cannot attribute this decline to ethics management initiatives alone. Extra-organisational factors such as more stringent legal requirements (King III) or various ethics initiatives (e.g. an ethics toolkit, ethics-related workshops and publications) implemented by the SABPP (see <http://sabpp.co.za/ethics-toolkit/>) may also explain this decline, at least in part. The latter is especially relevant in the context of this study, where the population consisted of HR practitioners registered with the SABPP. The extent to which people in organisations are aware of and use ethics initiatives aimed at ensuring ethical conduct, and developed by professional bodies such as the SABPP, should be further explored, as these bodies may play an essential role in promoting ethical cultures in South African organisations. Professional bodies should also incorporate ethical standards into the requirements for their professions. These standards should create awareness among professionals of practices that are susceptible to unethical behaviour and guide them when making decisions. The existence of such standards for various professions, as well as the impact of these standards, should be explored. Longitudinal

research designs would be most appropriate in examining the impact of such initiatives over time.

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